

Issue Brief – Follow up on SB 42

DEPARTMENT OF HEALTH

DOH-09-05

SUMMARY

Senate Bill 42 “Preferred Prescription Drug List” from the 2007 General Session permitted the Department of Health to develop a program to place some drugs on a preferred drug list. A preferred drug list is used as a default, preferred prescription or medical supply for certain diseases. Clients use these preferred drugs unless they are found to be ineffective for the client. The bill also included a provision for the Department to report on the Preferred Drug List program during the FY 2008 General Session.

The original fiscal note savings estimate was \$2,743,800 General Fund (\$9,831,900 Total Funds). The FY 2008 Medical Assistance Line Item was reduced by this amount in anticipation of these savings. Estimated savings for FY 2008 indicate that savings will be \$2,411,600 General Fund less than anticipated. The Department has not requested additional funding to make up the difference.

OBJECTIVE

This issue brief provides an update to the Legislature on the implementation of SB 42 passed during the last General Session.

DISCUSSION AND ANALYSIS

The Department began implementation of the Preferred Drug List Program on October 1, 2007 with two drug classes. On December 1, 2007 the Department added two more drug classes. Estimated General Fund savings from the drug classes implemented thus far are \$332,200 for FY 2008 and \$443,100 for FY 2009. The \$443,100 General Fund estimated savings represents 16% of the original savings estimate. The estimated savings for FY 2008 and FY 2009 on drug classes implemented thus far are detailed in the chart below:

Preferred Drug List Program	Total Funds			General Fund		
	Actuals Oct & Nov 07	FY 2009 Est.	FY 2008 Est.	Actuals Oct & Nov 07	FY 2009 Est.	FY 2008 Est.
Market Shift Savings	\$ 122,200	\$ 733,400	\$ 550,000	\$ 34,700	\$ 208,100	\$ 156,000
Secondary Rebates	\$ 176,200	\$ 1,057,200	\$ 792,900	\$ 50,000	\$ 299,900	\$ 224,900
Administrative Expenses	\$ (34,900)	\$ (209,600)	\$ (157,200)	\$ (10,800)	\$ (64,900)	\$ (48,700)
Total Savings	\$ 263,500	\$ 1,581,000	\$ 1,185,700	\$ 73,900	\$ 443,100	\$ 332,200

The Department has indicated that there are 3 primary reasons for lower-than-anticipated savings for the Preferred Drug List program:

- 1) The Department was unable to require prior authorization for using drugs not on the preferred drug list. Instead of a special process to authorize using non-preferred drugs, a doctor can write “Medically necessary, dispense as written” and the client could obtain non-preferred drugs without having to try the preferred drugs first.
- 2) The implementation date of program was October 1st, instead of July 1st.
- 3) Caseloads have declined since savings estimates were generated.

The Department intends to implement about six more drug classes within the next six to nine months. These additional drug classes are projected to provide additional savings to the State.